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WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON
KRISTIN K. MAYES

BRIAN C. McNEIL
EXECUTIVE SECRETARY



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USA

ARIZONA CORPORATION COMMISSION

MEMORANDUM

TO: Marc Spitzer, Chairman
William A. Mundell
Jeff Hatch-Miller
Mike Gleason
Kristin K. Mayes

Arizona Corporation Commission

DOCKETED

APR - 5 2004

FROM: Matthew J. Neubert
Director of Securities

DOCKETED BY

AZ CORP COMMISSION
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2004 APR - 5 P 3: 26

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DATE: April 5, 2004

RE: *In the Matter of Steven C. Bond, et ux., et al.,* Docket No. S-03544A-03-0000

CC: Brian C. McNeil, Executive Secretary

Attached is an amended proposed Order to Cease and Desist, Order of Restitution, Order for Administrative Penalties and Consent to Same by Steven C. Bond, Cari A. Bond, and B.B. Financial Benefits Group, Inc. ("Consent Order"). This order contains several corrections to the year on the signature pages (from "2003" to "2004") and one minor but possibly substantive change on page 4. One sentence has been changed from "The orders against Alpha that BOND could have revealed to investors include:" to "The orders against Alpha that could have been disclosed to investors include:" That change was made during further negotiations based on the Respondent's lack of knowledge of the orders.

The proposed Consent Order still calls for Respondents Steven C. Bond and B.B. Financial Benefits Group, Inc. to cease and desist from further violations of the Arizona Securities Act, and orders Respondents to disgorge all commissions they received from sales of Alpha Telcom pay telephones and pay an administrative penalty of \$10,000. The Securities Division recommends approval of this Consent Order. The Order reflects full disgorgement of all commissions, and the penalty reflects an appropriate penalty for the activity.

Originated by: Kathleen Coughenour DeLaRosa

MJN/kcd

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2
3 COMMISSIONERS

4 MARC SPITZER, Chairman
5 WILLIAM A. MUNDELL
6 JEFF HATCH-MILLER
7 MIKE GLEASON
8 KRISTIN K. MAYES

9 In the matter of)	
10 STEVEN C. BOND and CARI A. BOND,)	DOCKET NO. S-03544A-03-0000
11 husband and wife,)	DECISION NO. _____
12 2559 East Vaughn Court)	
13 Gilbert, Arizona 85234)	ORDER TO CEASE AND DESIST,
14 B.B. FINANCIAL BENEFITS GROUP, INC.)	ORDER OF RESTITUTION, ORDER
15 2559 East Vaughn Court)	FOR ADMINISTRATIVE PENALTIES
16 Gilbert, Arizona 85234)	AND CONSENT TO SAME
17 Respondents.)	BY: STEVEN C. BOND, CARI A. BOND,
)	AND B.B. FINANCIAL BENEFITS
)	GROUP, INC.

15 RESPONDENTS STEVEN C. BOND ("BOND"), CARI A. BOND ("MRS. BOND"), and
16 B.B. FINANCIAL BENEFITS GROUP, INC. ("B.B.") (collectively "RESPONDENTS") elect to
17 permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act
18 of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order To Cease And
19 Desist, Order of Restitution, Order for Administrative Penalties and Consent to Same by: Steven
20 C. Bond, Cari A. Bond, and B.B. Financial Benefits Group, Inc. ("Order"). RESPONDENTS
21 admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor
22 deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the
23 entry of this Order by the Commission.

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I.**FINDINGS OF FACT****Respondents**

1. Respondent BOND at all times material hereto was a resident of Arizona. At all times material hereto, BOND was licensed to sell insurance in the state of Arizona, but was not registered as a securities salesperson or an investment advisor representative in Arizona.

2. At all times material hereto, Respondent B.B. has been an Arizona corporation in good standing. Respondent BOND is the sole officer, director, and shareholder of B.B.

3. At all times material hereto, Respondent BOND was married to CARI A. BOND. All acts done by BOND were done in furtherance of and for the benefit of the marital community of BOND and CARI A. BOND. MRS. BOND therefore was joined in this action, pursuant to A.R.S. § 44-2031(C), to establish the liability of the marital community for the violations alleged herein.

Alpha Telcom, Inc.

3. At all times material hereto, Alpha Telcom, Inc. ("Alpha") was an Oregon corporation located at 2751 Highland Avenue, Grants Pass, Oregon 97526.

4. At all times material hereto, American Telecommunications Company, Inc. ("ATC") was a Nevada corporation formed as a wholly owned subsidiary of Alpha on or about September 17, 1998. Originally named ATC, Inc., the name was changed to American Telecommunications Company, Inc., sometime in the first half of 2000. Its address was the same as Alpha's, but was later changed to 620 S.W. 4th Street, Grants Pass, Oregon 97526, then to 2900 Vine Street, Suite J, Grants Pass, Oregon 97526, and then to 942 S.W. 6th Street, Suite G, Grants Pass, Oregon 97526.

5. At all times material hereto, Paul S. Rubera ("Rubera") was the president and control person of Alpha, and the control person of ATC.

6. Rubera organized ATC and operated ATC in conjunction with and as an alter ego of Alpha. The two companies were controlled by Rubera, and there was in reality no real difference

1 between the two companies.

2 7. ATC was presented to the public as the sales organization for Alpha. BOND,
3 directly or indirectly, entered into agreements with Alpha and/or ATC pursuant to which BOND
4 sold investment contracts involving Alpha pay telephones (the "Alpha investment contracts")
5 within or from the state of Arizona.

6 8. At the time he entered into agreements to sell the Alpha investment contracts, Alpha
7 and/or ATC, and/or their affiliates or associates, advised BOND that the investments in question
8 were not required to be registered as securities under Arizona law, and presented him with copies
9 of attorney opinion letters advising that the investments were not securities.

10 9. At all times material hereto, Alpha sold pay telephones with telephone service
11 agreements pursuant to which the investor would share in the profits of the pay telephone. The
12 telephones were presented to potential investors with four options in the way of service contracts,
13 each varying in the amount of service provided. The four options varied from Level 1, which
14 included a minimum of service, to Level 4, which provided full service to the purchaser, including
15 choosing a site and installing the telephone, collecting all revenue from the telephone's operation,
16 repairing the telephone when necessary, and even repurchasing or buying back the telephone at the
17 investor's option. Under Level 4, Alpha would split the net proceeds with the investor on a 70/30
18 basis, with Alpha retaining 70% and the investor receiving 30%. The price of the pay telephones
19 was the same regardless of the service option chosen, \$5,000.00 per telephone. BOND sold only
20 investment contracts under Level 4. A "typical return" on each pay telephone was touted as 14%
21 per year. In practice, all purchasers received \$58.34 per month per pay telephone purchased, which
22 amounted to exactly 14% per annum.

23 10. BOND told prospective investors that their investments were insured, which was
24 based on a good faith belief. The insurer named varied. Mentioned most often was the Northern
25 and Western Insurance Company of Grand Turk, Turks and Caicos Islands, British West Indies
26 ("N&W"). Also mentioned were Lloyd's of London and four other insurance companies listed as

1 re-insurers. N&W was a captive insurance company wholly owned by Paul S. Rubera, the
2 President and control person of Alpha, and Robert S. Harrison of Richmond, Texas. N&W is not
3 authorized to write insurance in Arizona. On information and belief, N&W was not authorized to
4 write insurance in any state in which the Alpha pay telephones were located. In a letter dated
5 August 15, 2001, Harrison stated: "There is not now, nor was there ever any insurance coverage
6 for Alpha Telecom, Inc."

7 11. BOND presented Alpha to prospective customers as a "turn-key" operation.

8 12. BOND was paid commissions of 17% per telephone sold.

9 13. Pursuant to this commission schedule, BOND sold Alpha investment contracts to at
10 least 20 individuals or entities within or from the state of Arizona from October, 2000 through May,
11 2001, for a total purchase amount of \$965,000.00, and earned commissions in the amount of
12 \$164,050.00.

13 14. Alpha has a long regulatory history in which state securities regulators have found that
14 these purchases of pay telephones and accompanying service contracts were unregistered securities in
15 the form of investment contracts that were sold by unregistered persons and/or entities, and ordered
16 Alpha and those working with it to cease and desist. Other jurisdictions, however, had concluded that
17 the Alpha investment contracts or similar investments were not securities. The majority of Arizona
18 investors, and possibly all Arizona investors, were not aware of any of these orders. The orders
19 against Alpha that could have been disclosed to investors include: —

- 20 a. February 2, 1999, Cease and Desist Order issued by Pennsylvania Securities
21 Commission in *In the Matter of Alpha Telecom, Inc., et al.*, No. 9812-06.
- 22 b. November 17, 1999, Cease and Desist Order issued by North Carolina
23 Secretary of State in *In the Matter of the North Carolina Securities Division*
24 *v. ATC, Inc., Paul Rubera, et al.*, No. 99-038-CC.
- 25 c. June 30, 1999, Temporary Order of Prohibition issued by Illinois Secretary
26 of State in *In the Matter of Alpha Telecom, Inc.*, No. 9900201.
- d. January 14, 2000, Consent Order of Prohibition issued by Illinois Secretary
of State in *In the Matter of Alpha Telecom, Inc.*, No. 9900201, Alpha agreeing
to offer rescission to all Illinois purchasers.

- e. November 24, 1999, Cease and Desist Order issued by Wisconsin Department of Financial Institutions in *In the Matter of Alpha Telcom, Inc. and Paul S. Rubera, et al.*, No. S-99225(EX).
- f. March 7, 2000, Temporary Cease and Desist Order issued by Rhode Island Department of Business Regulation in *In the Matter of Alpha Telcom, Inc. and ATC, Inc.*
- g. July 18, 2000, Florida Department of Banking and Finance filed administrative action against Alpha and others, seeking a Cease and Desist Order.
- h. October 24, 2000, Desist and Refrain Order issued by California Department of Corporations.

15. Actions taken against Alpha after BOND stopped selling Alpha investment contracts include the following:

- a. July 26, 2001, Cease and Desist Order issued by Ohio Commissioner of Securities;
- b. August 27, 2001, Temporary Restraining Order issued by United States District Court, District of Oregon, in *SEC v. Alpha Telcom, Inc., et al.*, No. CV 01-1283 PA
- c. September 5, 2001, Cease and Desist Order issued by Arkansas Securities Department in *In the Matter of Alpha Telcom, Inc., et al.*, No. 01-36-S.
- d. September 6, 2001, Preliminary Injunction issued by United States District Court, District of Oregon, in *SEC v. Alpha Telcom, Inc., et al.*, No. CV 01-1283 PA.
- e. February 7, 2002, Final Judgment of Permanent Injunction issued by United States District Court, District of Oregon, in *SEC v. Alpha Telcom, Inc., et al.*, No. CV 01-1283 PA.
- f. March 13, 2002, Final Order to Cease and Desist issued by Washington Department of Financial Institutions in *In the Matter of Alpha Telcom, Inc., et al.*, No. SDO-21-02.

The SEC's Complaint in the United States District Court, District of Oregon, alleged that Alpha and its affiliates engaged in a Ponzi-like scheme that never generated enough income to pay expenses, and that the money paid to existing investors always came from sales to new investors. Several days before the Temporary Restraining Order was issued on August 27, 2001, Alpha sought bankruptcy protection in Florida pursuant to chapter 11 of the Bankruptcy Code. A court-

1 appointed receiver subsequently took over the remaining operations of Alpha. Alpha consented
2 on October 19, 2001 to entry of the Final Judgment of Permanent Injunction against it, but did
3 not admit the allegations of the Complaint.

4 16. Alpha's monthly payments to investors ceased prior to August, 2001.

5 II.

6 CONCLUSIONS OF LAW

7 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
8 Arizona Constitution and the Securities Act.

9 2. BOND offered or sold securities within or from Arizona, within the meaning of
10 A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

11 3. BOND violated A.R.S. § 44-1841 by offering or selling securities that were neither
12 registered nor exempt from registration.

13 4. BOND violated A.R.S. § 44-1842 by offering or selling securities while neither
14 registered as a dealer or salesman nor exempt from registration.

15 5. BOND violated A.R.S. § 44-1991 by (a) employing a device, scheme or artifice to
16 defraud, (b) making untrue statements or misleading omissions of material facts, and (c) engaging
17 in transactions, practices or courses of business which operate or would operate as a fraud or
18 deceit.

19 6. BOND's conduct is grounds for a cease and desist order pursuant to A.R.S.
20 § 44-2032.

21 7. BOND's conduct is grounds for an order of restitution pursuant to A.R.S. § 44-
22 2032.

23 8. BOND's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

24 III.

25 ORDER

26 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and

1 RESPONDENTS' consent to the entry of this Order, the Commission finds that the following
2 relief is appropriate, in the public interest, and necessary for the protection of investors:

3 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that BOND, and any of BOND'S agents,
4 employees, successors and assigns, permanently cease and desist from violating the Securities Act.

5 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS shall,
6 jointly and severally, pay restitution to investors shown on the records of the Commission in the
7 amount of \$164,050.00, plus interest at the rate of 10% per annum from the date of each
8 investment until paid in full. Payment shall be made by cashier's check or money order payable to
9 the "State of Arizona" to be placed in an interest-bearing account maintained and controlled by the
10 Arizona Attorney General, with the initial payment of \$1,000.00 due and payable on the date of
11 this Order, and \$750.00 per month due and payable on the first day of each month, beginning the
12 first day of the month following the date of entry of this Order, until the restitution amount is paid
13 in full. The Arizona Attorney General shall disburse the funds on a pro rata basis to investors.
14 Any funds that the Attorney General is unable to disburse shall revert to the state of Arizona.

15 If RESPONDENTS do not comply with this order of restitution, any outstanding balance
16 shall be in default and shall be immediately due and payable.

17 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that RESPONDENTS BOND
18 and B.B., jointly and severally, shall pay an administrative penalty in the amount of \$10,000.00.
19 Payment shall be made in full by cashier's check or money order, payable to the "State of
20 Arizona," in installments of \$750.00 per month, with the initial installment being due on the first
21 day of the month following the final payment of restitution as herein provided.

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1 If RESPONDENTS BOND and B.B. do not comply with this order for payment of
2 administrative penalties, any outstanding balance shall be in default and shall be immediately due
3 and payable.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION
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8 CHAIRMAN

COMMISSIONER

COMMISSIONER

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10 COMMISSIONER

COMMISSIONER

11 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,
12 Executive Secretary of the Arizona Corporation
13 Commission, have hereunto set my hand and caused the
14 official seal of the Commission to be affixed at the
Capitol, in the City of Phoenix, this _____ day of
_____, 2004.

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16
17 BRIAN C. McNEIL
18 Executive Secretary

19
20 DISSENT

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22 This document is available in alternative formats by contacting Yvonne McFarlin, Executive
23 Assistant to the Executive Secretary, voice phone number 602-542-3931, E-mail
ymcfarlin@cc.state.az.us.

24 KCD
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CONSENT TO ENTRY OF ORDER

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2 1. STEVEN C. BOND ("BOND") and CARI A. BOND, individually and as husband
3 and wife (collectively "INDIVIDUAL RESPONDENTS"), admit the jurisdiction of the
4 Commission over the subject matter of this proceeding. INDIVIDUAL RESPONDENTS
5 acknowledge that they have been fully advised of their right to a hearing to present evidence and
6 call witnesses and they knowingly and voluntarily waive any and all rights to a hearing before the
7 Commission and all other rights otherwise available under Article 11 of the Securities Act and
8 Title 14 of the Arizona Administrative Code. INDIVIDUAL RESPONDENTS acknowledge that
9 this Order To Cease And Desist, Order of Restitution, Order for Administrative Penalties and
10 Consent to Same by: Steven C. Bond, B.B. Financial Benefits Group, Inc., and Cari A. Bond
11 ("Order") constitutes a valid final order of the Commission.

12 2. INDIVIDUAL RESPONDENTS knowingly and voluntarily waive any right under
13 Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or
14 extraordinary relief resulting from the entry of this Order.

15 3. INDIVIDUAL RESPONDENTS acknowledge and agree that this Order is entered
16 into freely and voluntarily and that no promise was made or coercion used to induce such entry.

17 4. INDIVIDUAL RESPONDENTS acknowledge that they have been represented by
18 counsel in this matter, they have reviewed this Order with their attorney and understand all terms it
19 contains.

20 5. INDIVIDUAL RESPONDENTS neither admit nor deny the Findings of Fact and
21 Conclusions of Law contained in this Order.

22 6. By consenting to the entry of this Order, INDIVIDUAL RESPONDENTS agree not
23 to take any action or to make, or permit to be made, any public statement denying, directly or
24 indirectly, any Finding of Fact or Conclusion of Law in this Order or creating the impression that
25 this Order is without factual basis. INDIVIDUAL RESPONDENTS will undertake steps
26

1 necessary to assure that all of their agents and employees, if any, understand and comply with this
2 agreement.

3 7. While this Order settles this administrative matter between INDIVIDUAL
4 RESPONDENTS and the Commission, INDIVIDUAL RESPONDENTS understand that this
5 Order does not preclude the Commission from instituting other administrative proceedings based
6 on violations that are not addressed by this Order.

7 8. INDIVIDUAL RESPONDENTS understand that this Order does not preclude the
8 Commission from referring this matter to any governmental agency for administrative, civil, or
9 criminal proceedings that may be related to the matters addressed by this Order.

10 9. INDIVIDUAL RESPONDENTS understand that this Order does not preclude any
11 other agency or officer of the state of Arizona or its subdivisions from instituting administrative,
12 civil or criminal proceedings that may be related to matters addressed by this Order.

13 10. BOND agrees that he will not apply to the state of Arizona for registration as a
14 securities dealer or salesperson or for licensure as an investment adviser or investment adviser
15 representative until such time as all restitution and penalties under this Order are paid in full.

16 11. INDIVIDUAL RESPONDENTS agree that they will not exercise any control over
17 any entity that offers or sells securities or provides investment advisory services, within or from
18 Arizona.

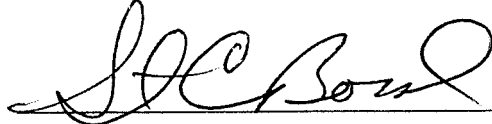
19 12. INDIVIDUAL RESPONDENTS agree that until restitution and penalties are paid
20 in full, they will notify the Director of the Securities Division within 30 days of any change in
21 home address or any change in their ability to pay amounts due under this Order.

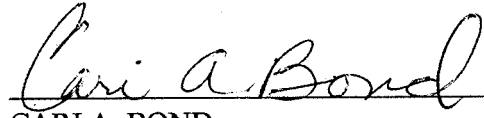
22 13. INDIVIDUAL RESPONDENTS understand that default shall render them liable to
23 the Commission for its costs of collection and interest at the maximum legal rate.

24 14. BOND agrees that he will continue to cooperate with the Securities Division
25 including, but not limited to, providing complete and accurate testimony at any hearing in this
26 matter and cooperating with the state of Arizona in any related investigation or any other matters

1 arising from the activities described in this Order.

2 15. INDIVIDUAL RESPONDENTS consent to the entry of this Order and agrees to be
3 fully bound by its terms and conditions. If INDIVIDUAL RESPONDENTS breach any provision
4 of this Order, the Commission may vacate this Order and restore this case to its active docket.

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6 
7 STEVEN C. BOND

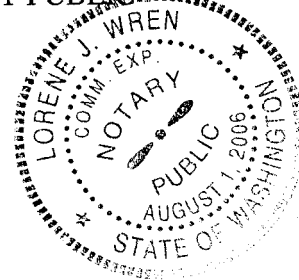
8 
9 CARI A. BOND

10 SUBSCRIBED AND SWORN TO BEFORE me this 1st day of April, 2004.
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13 NOTARY PUBLIC

14 My Commission Expires:

15 8-1-06
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other administrative proceedings based on violations that are not addressed by this Order.

8. B.B. understands that this Order does not preclude the Commission from referring this matter to any governmental agency for administrative, civil, or criminal proceedings that may be related to the matters addressed by this Order.

9. B.B. understands that this Order does not preclude any other agency or officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal proceedings that may be related to matters addressed by this Order.

10. B.B. agrees that it will not apply to the state of Arizona for registration as a securities dealer or salesman or for licensure as an investment adviser or investment adviser representative until such time as all restitution and penalties under this Order are paid in full.

11. B.B. agrees that it will not exercise any control over any entity that offers or sells securities or provides investment advisory services, within or from Arizona.

12. B.B. agrees that until restitution and penalties are paid in full, it will notify the Director of the Securities Division within 30 days of any change in address or any change in its ability to pay amounts due under this Order.

13. B.B. understands that default shall render it liable to the Commission for its costs of collection and interest at the maximum legal rate.

14. B.B. agrees that it will continue to cooperate with the Securities Division including, but not limited to, providing complete and accurate testimony at any hearing in this matter and cooperating with the state of Arizona in any related investigation or any other matters arising from the activities described in this Order.

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1 15. B.B. consents to the entry of this Order and agrees to be fully bound by its terms
2 and conditions. If B.B. breaches any provision of this Order, the Commission may vacate this
3 Order and restore this case to its active docket.

4 B.B. FINANCIAL SERVICES GROUP, INC., an
5 Arizona corporation

6 By *SC Bond*
7 Steven C. Bond, Its President

8 SUBSCRIBED AND SWORN TO BEFORE me this 1st day of April, 2004.

9
10
11 My Commission Expires:

12 8-1-06

13
14 Bond Consent.doc

